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UNCLAS SECTION 01 OF 03 LILONGWE 000715

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TAGS: [PGOV](#) [KDEM](#) [EAID](#) [EFIN](#) [MI](#)
SUBJECT: MALAWI: PRESIDENT WINS BUDGET APPROVAL, THEN
DISSOLVES PARLIAMENT

REF: LILONGWE 646

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1. (SBU) Summary: After nearly four months of political confrontation, Malawi's Parliament passed the USD 1.24 billion national budget on September 11 -- a major victory for President Mutharika. The prudent, pro-poor budget is consistent with the President's Malawi Growth and Development Strategy (MGDS) and should contribute both to continued poverty reduction and macroeconomic stability. Even most opposition MPs recognized the successful economic policy of the GOM to date. Opposition parties, once focused on financial matters, raised several valid concerns about the budget and secured government concessions to commercialize the national radio and television networks, and to increase discretionary funds to MPs for projects in their own districts. Prior to passage of the budget, the government had agreed to remove injunctions preventing the Speaker of the National Assembly from acting on Section 65 of the Constitution. The provision could require up to 40 of 71 the ruling Democratic Progressive Party's (DPP) MPs to vacate their seats because they crossed the aisle after being elected under opposition party banners. Before the Speaker could act, however, President Mutharika exercised his constitutional authority to dissolve Parliament, prompting charges of bad faith from the opposition and other observers. The President's action, while apparently legal, may cost him some of increased popular support his party gained by standing firm during the budget approval process. End Summary

FINALLY -- A BUDGET

2. (SBU) Parliament passed Malawi's national budget September 11, ending a protracted process that began on May 21 and was stopped three times due to a one-month period of mourning following the First Lady's death, a political impasse, and several court injunctions (reftel). Once the National Assembly finally resumed meetings on August 13, the constitutionally required three-week budget debate period proceeded in a generally constructive atmosphere, concluding on August 31. The National Assembly's subsequent process for approving each line item of the budget typically has taken no more than two days to complete, but this year required seven days as the opposition used its numeric superiority in the Assembly to force the delay of key votes. The most contested vote was the line item for the Subvention to Statutory

Organization, which funds state-owned organizations. Throughout the budget process, both the Malawi Congress Party (MCP) and the United Democratic Front (UDF) accused the government of using the state-owned broadcasters, Malawi Broadcasting Corporation (MBC) and Television Malawi (TVM), to spread anti-opposition propaganda. Government in the end decided to concede to the commercialization of the two networks, reducing the government funding of each organization to one Malawian kwacha and moving MK 360 million (USD 2.5 million) back to the Ministry of Finance. (Further implications of the commercialization of the only national radio and television networks in Malawi will be covered in septel.) In addition to state organizations, the Ministry of Information and Civic Education and the Anti-Corruption Bureau (ACB) budgets were also delayed by opposition until the government opened investigations into possible corruption by the organizations' heads, Information Minister Patricia Kaliati and ACB Acting Director Tumalisye Ndovi respectively.

PRO-POOR AND FISCALLY PRUDENT

13. (U) In his statement to conclude the budget debate, Minister of Finance Gondwe highlighted how the budget implemented President Mutharika's Malawi Growth and Development Strategy (MGDS) framework, as well as the budget's sound macroeconomic base. Gondwe also specifically addressed all key issues raised by opposition members during the debate, pointing out where underlying claims or assumptions were incorrect, but also noting when valid criticisms had been made. One noteworthy example was his agreement with the opposition to increase the constituency funds of members which can be used for local projects, but he insisted the increase in funds not come at the expense of fiscal discipline. Among the economic achievements Gondwe underscored were reduced inflation (7 percent currently and

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headed below five percent), positive real GDP growth (8.5 percent last year and 6 percent expected this year), a reduction of poverty in urban areas, increased food supplies and storage ability in rural areas, diversification of agriculture away from maize to exportable cash crops, and an increase in the proportion of technical and capital goods as a percentage of imports. Approximately 28% of the budget is being allocated to the four pillars agreed upon in the Malawi Poverty Reduction Strategy Paper (PRSP) developed during the Heavily Indebted Poor Country (HIPC) qualification process: pro-poor growth, human capital development, improving the quality of life of the most vulnerable, and good governance. Senior opposition leaders, including the shadow finance ministers of both major parties, reluctantly acknowledged the GOM's economic success in their Parliamentary interventions and offered few substantive objections to current economic policy.

PRESIDENT TAKES THE MONEY, THEN RUNS

14. (SBU) The final budget vote was not completed until the government provided proof to opposition members that it had withdrawn the injunction it had earlier obtained to stop the Speaker of the Assembly from acting on Section 65 of the Constitution. The provision could require up to 40 of 71 the ruling Democratic Progressive Party's (DPP) MPs to vacate their seats because they crossed the aisle after being elected under opposition party banners. All goodwill that had developed between the government and the opposition with the removal of the injunctions disintegrated on September 14, however, when President Mutharika suddenly exercised his Constitutional authority to "prorogue" (dissolve) the National Assembly, thus ending the current session without a resolution on Section 65. The premature closure of the National Assembly vindicated opposition leaders who had

warned that if that Section 65 were not addressed before the budget approval, the President would simply take the budget and run. These same leaders railed against the bad faith tactics of the Mutharika government after the dissolution of Parliament and warned that they would find a way to punish the GOM somehow. They also argued that the President had acted unconstitutionally by failing to consult with the Speaker as required before the decision to prorogue. UDF and MCP leaders appeared momentarily stunned by the President's move, however, and announced no immediate steps they planned to take.

15. (SBU) Parliament's closure will prevent progress in filling key vacancies such as Chief Justice of the Supreme Court of Appeal, the Auditor General, and the members of the Malawi Electoral Commission (MEC). The nominees for Auditor General, MEC, ACB, and the Financial Intelligence Unit have all been blocked by the opposition-controlled Public Appointments Committee of Parliament or by opposition-sponsored litigation, and the President has so far been unwilling to nominate more opposition-friendly candidates. The Chief Justice nomination has been announced but not considered in Parliament. Another measure stalled was approval of an agreement to connect Malawi's electrical grid with Mozambique to share generation capacity and alleviate shortages. It was in fact the MCP's unwillingness to move immediately on these measures before addressing Section 65 that the GOM cited as justification for proroguing Parliament. The GOM also pointed to the UDF's failure to clear up its own injunction against Section 65 promptly and continuing delays in Parliamentary business as justifications for dissolving the National Assembly. There has been no indication when the President might reconvene Parliament, though most expect it will not be before December or January at the earliest.

COMMENT: PRESIDENT SACRIFICES COMITY TO CONSOLIDATE POWER

16. (SBU) Comment: President Mutharika has emerged as the clear winner in the showdown over the budget, at least in the short-term. His effective use of the "bully pulpit" won strong public support for his budget, and also allowed him to face down opponents who sought to weaken the President severely through Section 65. Mutharika apparently believes he has both time and popular opinion on his side as he heads

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off for three weeks in the U.S. for the UN General Assembly and other activities. While the passing of the budget ensures that the executive branch can legally implement its successful development strategy for another year, the vacancies at Chief Justice, Auditor General, and Anti-Corruption Bureau (ACB) Director will hamper the proper functioning of government, including the fight against corruption. Perhaps more importantly, the President will find it even more difficult to secure future agreements with the opposition on important issues in the remaining year and a half of his term. For the moment, however, Mutharika has outwitted determined rivals who are more interested in defeating him than in Malawi's development. End Comment.
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